



BANK OF ENGLAND

News release

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22 October 2012

Andrew Bailey sets out details of the PRA's approach to regulation

Andrew Bailey, the head of the prudential business unit at the Financial Services Authority (FSA) and Executive Director at the Bank of England, is hosting an event today with banks, insurers, building societies, credit unions and investment firms to discuss the details of the two Prudential Regulation Authority (PRA) approach documents published last week.

The documents set out how the PRA will supervise firms when it is established in April 2013. One document sets out the PRA's intended approach towards regulating deposit-takers and investment firms. The other is specifically focused on insurers.

The documents describe the PRA's statutory objectives and how it will interpret them. They set out, at a high level, what the PRA will expect of firms in relation to these objectives and the new Threshold Conditions, to enable firms to understand the basis for the PRA's decisions and to behave in a safe and sound manner without supervisory intervention. The documents also set out what the PRA will do in the course of supervision, including its appetite for using legal powers. The documents will, therefore, give firms a clear indication of what to expect from the PRA, and will provide supervisors with a framework for supervision and in particular, for their supervisory interventions.

Speaking at the event in London, Andrew Bailey said:

"The financial crisis demonstrated the clear need for a new approach to financial regulation and that the new twin peaks model is the right one for the future. Both my job, and that of the PRA management team, will be to ensure the PRA protects the public's access to critical financial services and that we contribute towards achieving and sustaining a healthy economy.

"The PRA will come into existence during a period of profound change in the policies governing financial regulation around the world. Our goal will be to focus on the things that matter most to achieving our objectives and our responsibility to the public, given to us by Parliament.

“The documents we published last week set out how we intend to implement the approach in practice. It will be based on setting clear and concise standards for all PRA regulated firms. The PRA’s approach will be very clearly judgement-based rather than focussing on narrow rules, and it will be forward-looking, taking into account a range of possible risks to our objectives and the stability of firms.

“The PRA will expect firms to support and conform to the public policy objectives set by Parliament. This will not be a zero failure regime, but one where firms can fail in an orderly way without major detriment to the wider system. We will be here to ensure the safety and soundness of firms and the stability of the financial system. We want, and need, to ensure that the public can put their trust in a safe and sound financial system for the future.”

ENDS

NOTES FOR EDITORS

1. The webcast of today’s event is available on the FSA website and at <http://www.bankofengland.co.uk/publications/Pages/other/pr/pr.aspx>
2. The PRA approach document for deposit-taker and investment firms is available on the regulatory reform section of the FSA’s website and at <http://www.bankofengland.co.uk/publications/Pages/other/pr/pr.aspx>
3. The PRA approach document for insurers is available on the regulatory reform section of the FSA’s website and at <http://www.bankofengland.co.uk/publications/Pages/other/pr/pr.aspx>
4. The FSA regulates the financial services industry and has four objectives under the Financial Services and Markets Act 2000: maintaining market confidence; securing the appropriate degree of protection for consumers; fighting financial crime; and contributing to the protection and enhancement of the stability of the UK financial system.
5. The FSA will be replaced by the Prudential Regulation Authority and Financial Conduct Authority in 2013. [The Financial Services Bill](#) currently undergoing parliamentary scrutiny is expected to receive Royal Assent by in late 2012 or early 2013, subject to the parliamentary timetable.

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